




STATE OF DELAWARE

PUBLIC SERVICE COMMISSION
861 SILVER LAKE BLVD.
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE:
(302) 739-7500

MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Lisa B. Driggins, Public Utilities Analyst 

DATE: March 6, 2018

SUBJECT: IN THE MATTER OF THE APPLICATION OF CENTURYLINK COMMUNICATIONS, LLC FOR APPROVAL TO ADD ADDITIONAL PARTICIPANT TO THE FINANCING AND TO INCREASE PREVIOUSLY APPROVED ACQUISITION DEBT LEVEL (FILED FEBRUARY 14, 2018) - DOCKET- NO. 18-0113

Application:

On February 14, 2018, pursuant to 26 *Del. C.* §215 and the rules of the Delaware Public Service Commission ("PSC" or "Commission"), CenturyLink Communications, LLC ("CLC" or "Applicant"), submitted an application requesting the Commission authority: (i) to expand the financing arrangements associated with the previously-approved \$9.945 billion of debt ("Acquisition Debt") that CenturyLink, Inc. ("CenturyLink") incurred as a result of the acquisition of Level 3 Communications, Inc. ("CenturyLink/Level 3 Merger") and (ii) to expand its debt guarantee to add Citibank, N.A. ("Citibank") as a lender and participant in certain elements of the financing of the Acquisition Debt, thereby increasing the Acquisition Debt by approximately \$300 million.

Applicant:

CenturyLink Communication, LLC

CLC is authorized to provide facilities-based and non-facilities based, interexchange and competitive local exchange services as granted in PSC Docket No. 99-198, Order No. 5273 (November 16, 1999). CenturyLink is a publicly traded Louisiana corporation with headquarters at 100 CenturyLink Drive, Monroe, Louisiana. CenturyLink, through its wholly-owned operating company subsidiaries, offers communications services, including local and long-distance voice, wholesale local network access, high-speed internet, and information,

entertainment, and fiber transport services through copper and fiber networks, to consumers and businesses in 50 states. CenturyLink itself is not certificated by the Commission. CenturyLink is the ultimate parent of CLC.

Transaction:

Financing Arrangements

In PSC Docket No. 17-0035, the application filed in the CenturyLink/Level 3 Merger became effective via statutory approval without Commission action, and the CenturyLink/Level 3 Merger closed on November 1, 2017. As discussed in the application and Staff memo in that docket, CenturyLink incurred approximately \$9.945 billion of acquisition debt. The \$9.945 billion of acquisition debt consists of \$7.945 billion in term loans, and up to \$2 billion in a new revolving credit facility.

On January 29, 2018, after approval by the CenturyLink Board, the underlying Credit Agreement was amended to add Citibank as a lender and participant in certain elements of the Financing of the Acquisition Debt ("Incremental Assumption Agreement No. 1"). Under Incremental Assumption Agreement No. 1, Citibank's participation in the financing would increase the pro forma revolver credit commitment by approximately \$167.8 million and would increase the Term Loan A tranche by approximately \$132.2 million, thus increasing the Acquisition Debt by an additional \$300 million.

Accordingly, CLC respectfully seeks authority, to the extent required, to add Citibank as an additional participant to the financing arrangement and to increase the previously-approved Acquisition Debt Level by an additional \$300 million. No other Commission-certificated entity in Delaware affiliated with CenturyLink is participating in the financing of the Acquisition Debt.

Public Interest:

The Applicant asserts that the public interest will be served. The expanded financial arrangement associated with Citibank will boost CLC's ability to continue delivering services to new markets, thus allowing more consumers to benefit from their competitive services. The inclusion of Citibank in the financing arrangement also will provide greater access to capital, which, in turn, will yield financial benefits and operational flexibility. Thus, approval of this application will benefit competition and innovation in the telecommunications marketplace to the benefit of existing and future consumers in the State of Delaware.

Furthermore, the expanded financing arrangement will be transparent to customers and will not result in any change to rates, terms or conditions of services provided by CLC in Delaware. The expansion of the financing arrangement to include Citibank will not cause a discontinuance, reduction, loss, or impairment of service to customers. Citibank's participation

in the new financing arrangements will not result in any change in Applicant's management or in their day-to-day operations in Delaware, and will not adversely affect Applicant's current or proposed operations in Delaware.

In addition, the Applicant has shown that the transactions are for proper purpose, and are seeking the approvals of the regulatory authorities which are necessary for the transactions to demonstrate that they are in accordance with the law.

Staff Recommendation:

Application seeking financing approval by large multi-state resellers of competitive intrastate telecommunications services technically lie within the provisions of 26 *Del. C.* § 215 because the companies are deemed to be public utilities. In addition, the Applicant has represented that the financing proposal is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission previously allowed such applications to become effective via statutory approval without Commission action. The result appears appropriate under these circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 *Del. C.* § 215(d), the effect will be that the application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicant that the proposed financing arrangements have been completed.